

Auditing Procedures Report

Issued under P.A. 2 of 1988, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Village of Conac	County St. Clair
Audit Date 6/30/04	Opinion Date 10/29/04	Date Accounting Report Submitted to State: 12/29/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1988, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.		✓	
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGR).			✓

Certified Public Accountant (Firm Name) Stewart, Beauvais & Whipple			
Street Address 1979 Holland Ave.		City Port Huron	State MI
Accountant Signature <i>Stewart, Beauvais & Whipple</i>		ZIP 48060	Date 12/29/04

VILLAGE OF CAPAC, MICHIGAN

**ANNUAL FINANCIAL STATEMENTS
And Supplementary Information**

FOR THE YEAR ENDED JUNE 30, 2004



VILLAGE OF CAPAC, MICHIGAN
St. Clair County, Michigan

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INDEPENDENT AUDITOR'S REPORT

To the President and Members
of the Village Council
Village of Capac, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit and each major fund of the Village of Capac, Michigan, as of and for the year ended June 30, 2004, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Capac's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit and each major fund of the Village of Capac, Michigan, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 13 to the basic financial statements, the Village and its component unit adopted Governmental Accounting Standards Board Statement No. 34 and related statements as of and for the year ended June 30, 2004. This resulted in a change in the Village's basic financial statement format and content.

The Management's Discussion and Analysis on pages 3 through 7, and schedules of budgetary comparisons on pages 39 through 43 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Capac, Michigan's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.


Certified Public Accountants

October 29, 2004

OVERVIEW OF THE FINANCIAL STATEMENTS

The Village of Capac's 2004 annual report is presented in conformity with the requirements of GASB 34. This annual report consists of four parts – management's discussion and analysis, the basic financial statements, required supplementary information, and other supplemental information. The basic financial statements include two kinds of statements that present different views of the Village. The first two statements are government-wide financial statements that provide both long-term and short-term information about the Village's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the Village's government, reporting the Village's operations in more detail than the government-wide statements.

Government-wide Financial Statements

The government-wide statements report information about the Village as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid (full accrual).

The two government-wide statements report the Village's net assets and how they have changed. Net assets, defined as the difference between the Village's assets and liabilities, are one way to measure the Village's financial health or position.

The government-wide financial statements of the Village are divided into two categories:

Governmental activities - most of the Village's basic services are included here, such as the police, fire, public works, parks and recreation, general administration and debt retirement. Property taxes, state-shared revenues, charges for services, provided most of the funding.

Business-type activities - the Village charges fees to customers to help it cover the costs of certain services it provides. The water, sewer and trash operations are treated as business-type activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the Village's most significant funds; not the Village as a whole. Funds are accounting devices that the Village uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and/or by bond covenants. The Village Council establishes other funds to control and manage money for particular purposes.

The Village has three kinds of funds:

Governmental funds - Most of the Village's basic services are included in governmental funds, which focus on how cash and other financial assets can readily be converted to cash flow in and out, and the balances left at year end that are available for spending. The governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. The Village currently has 7 governmental funds.

Proprietary funds - Services for which the Village charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information. The Village currently has three proprietary funds.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the Village's operations.

FINANCIAL OVERVIEW (Government-wide financial analysis)

The Village has combined total net assets of \$5,514,806 million. This is a decrease of (\$118,953) over 2003. Government-type activities comprise \$1,484,038 million, and business-type activities make up \$4,030,768 million of the total net assets. In a condensed format, the table below shows net assets as of June 30, 2004. Future reports will provide comparative data.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Current assets	\$ 939,078	\$ 148,824	\$ 1,087,902
Restricted assets	-	330,295	330,295
Other assets	-	65,505	65,505
Capital assets	<u>742,583</u>	<u>5,641,797</u>	<u>6,384,380</u>
Total assets	<u>1,681,661</u>	<u>6,186,421</u>	<u>7,868,082</u>
Liabilities			
Current liabilities	69,685	47,706	117,391
Long-term liabilities	<u>127,938</u>	<u>2,107,947</u>	<u>2,235,885</u>
Total liabilities	<u>197,623</u>	<u>2,155,653</u>	<u>2,353,276</u>
Net Assets			
Invested in capital assets -			
Net of related debt	623,478	3,584,955	4,211,900
Restricted	15,853	330,295	346,148
Unrestricted	<u>844,707</u>	<u>115,518</u>	<u>955,758</u>
Total net assets	<u>\$1,484,038</u>	<u>\$4,030,768</u>	<u>\$5,514,806</u>

The Village's governmental activities experienced a net change in assets of \$(133,842). The main reason is the General Fund incurring an operating loss. The business-type activities experienced an increase in net assets of \$14,871, which is approximately 2% of annual expenses.

The following table shows the changes in net assets for 2004. Future reports will provide comparative data.

	Governmental Activities	Business-type Activities	Total
Revenue			
Program revenue:			
Charges for services	\$ 41,392	\$ 415,396	\$ 456,788
Operating grants and contributions	207,562	-	207,562
General revenue:			
Property taxes	470,402	103,837	574,239
State-shared revenue	221,993	-	221,993
Other unrestricted grants	15,943	-	15,943
Unrestricted investment earnings	13,332	3,498	16,830
Gain on sale of asset	9,688	-	9,688
Total Revenue	<u>980,312</u>	<u>\$22,731</u>	<u>1,503,043</u>
Program Expenses			
General government	177,143	-	177,143
Public safety	460,135	-	460,135
Public works	255,432	-	255,432
Economic development	21,290	-	21,290
Recreation and cultural	19,441	-	19,441
Other activities	59,508	-	59,508
Interest on long-term debt	3,475	-	3,475
Water	-	296,193	296,193
Sewer	-	278,941	278,941
Trash	-	50,438	50,438
Total Program Expenses	<u>996,424</u>	<u>625,572</u>	<u>1,621,996</u>
Changes in net assets before transfers	(16,112)	(102,841)	(118,953)
Transfers between funds	<u>(117,712)</u>	<u>117,712</u>	<u>-</u>
Changes in net assets	<u>\$ (133,824)</u>	<u>\$ 14,871</u>	<u>\$(118,953)</u>

Governmental Activities

Revenues for governmental activities totaled \$980,312 million in 2004. Of this amount \$470,402 million or 48% was received from taxes followed by state Shared Revenue of \$221,993 or 23%.

Business-type Activities

The Village has three business-type activities, sewer, water and trash. The Village provides water to the Village users from the Village wells. The Village provides sewage disposal services with a Lagoon system. Trash services are contracted by the Village. For the year ended June 30, 2004 the sewer, water and trash funds had a net increase (decrease) of \$33,707, \$(22,820) and \$4,614 respectively.

FINANCIAL ANALYSIS OF MAJOR FUNDS

The General Fund ended 2004 with a fund balance of \$16,877 of which \$15,853 was reserved for parks and recreation, with the remaining amount of \$1,024 unreserved. This is a decrease of \$178,364 for the prior year. This decrease is mainly as a result of increased expenditures in the police department \$(85,259) and a reduction in State Revenue Share of \$(37,691).

The remaining governmental funds reported a change in fund balance during the year and had a fund balance at June 30, 2004 of the following:

	Increase/Decrease <u>In Fund Balance</u>	<u>Fund Balance</u>
Major Street	\$ 52,493	\$ 131,700
Local Street	7,117	11,421
Streets and Highway	(13,857)	(13,180)
Street Improvement	46,600	46,932
Equipment Replacement	(80,509)	96,521
Water and Sewer Connection Fee	(97,644)	484,834

The other major funds are the Sewer, Water and Trash Funds which have been discussed earlier.

BUDGETARY HIGHLIGHTS

Over the course of the year, the Village Administration and Council monitor the budget, and if necessary, amend the budget to take into account unanticipated events that occur during the year. During the year there were no amendments to the General Fund revenues. The only significant amendment to the expenditures was for contingencies that were increased from \$77,725 to \$117,660 which was a result of revenues from a General Fund Certificate (CD) for operating revenue. The expenditure for Major Street miscellaneous./contingencies was increased from \$1,449 to \$66,577 to invest in a money market fund to take advantage of higher interest yields for future unforeseen expenses.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Village had \$6,384,380 invested in capital assets for its governmental and business-type activities (net of accumulated depreciation) as of June 30, 2004. The investment in capital assets includes, land, building and building improvements, machinery and equipment, vehicles, and water and sewer systems. Infrastructure (e.g. roads, drains, etc.) purchased on or after July 1, 2003 is also included. During the year the Village added approximately \$394,621 of capital assets before taking into account depreciation, \$296,876 in the governmental activities and \$97,745 in the business activities. The most significant item in the governmental activities was the purchase of a new police building and the subsequent renovations. The addition in the business activities was for the Matterson Sewer Project and other related sewer system upgrades. Depreciation for the year was \$176,121, \$61,045 in the governmental activities and \$115,076 in the business-type activities.

The following table shows the capital assets at June 30, 2004:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Land	\$ 99,254	\$ 39,000
Land improvements	86,779	-
Building and improvements	465,998	-
Machinery and equipment	216,723	56,376
Vehicles	242,184	-
Infrastructure	11,266	-
Utility systems	-	8,779,919
Construction in progress	123,505	-
	<u>1,245,709</u>	<u>8,875,295</u>
Accumulated depreciation	<u>(503,126)</u>	<u>(3,233,498)</u>
	<u>\$ 742,583</u>	<u>\$ 5,641,797</u>

Long-term Debt

At June 30, 2004 the Village had \$2,235,885 in long-term debt compared to \$2,155,402 at June 30 2003. During the year the Village refinanced two bond issues. The following table shows the long-term debt at June 30, 2004:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Bonds/Loan	\$ -	\$ 2,105,000
Notes/Contracts Payable	119,105	-
Compensated Absences	<u>8,833</u>	<u>2,947</u>
	<u>\$ 127,938</u>	<u>\$ 2,107,947</u>

ECONOMIC FACTORS AND NEXT YEARS BUDGETS AND RATES

The Village of Capac (2000 census-population of 1775) is primarily a residential community located in St. Clair County, Michigan. The Village's proximity to the Port Huron/Detroit Metropolitan Area and several major roadways, including Interstate 69, has helped spur recent residential development. The reported median family income level for Capac is \$47,727 and the median house value \$105,100. New commercial/industrial property development is expected over the next few years that will be beneficial to the community as a whole.

The Village has taken progressive steps to ensure financial stability, health and long-term viability. The first and most important step was the search and hiring of a Village Manager. The Village of Capac has not had a Village Manager for 23 years and have taken steps to correct past inefficiencies and problems. The Village is currently taking action through amendment to adopt a new balanced budget for FY 2004-2005. Other improvements include updating the chart of accounts utilized by the Village, creating a Motor Pool Fund (through MDOT Schedule C), redefining job descriptions and restructuring the organization chart.

The Village of Capac is committed to the goal of financial conservatism and through this new philosophy, the Village will develop plans to ensure economic development infrastructure maintenance and tax relief on the residential population. The Village will continue decreasing expenditures through utilizing more efficient resources and reinvesting revenues to ensure the Village is operating at its peak efficiency.

CONTACTING THE VILLAGE

This financial report is designed to provide a general overview of the Village's finances to our residents and other interested parties in understanding the Village's financial condition. If you have questions about this report or need additional financial information, please contact the Village Manager, Heath Kaplin, at 810-395-4355, or in writing to the same, 131 North Main Street, Capac, MI 48014.

BASIC FINANCIAL STATEMENTS

VILLAGE OF CAPAC, MICHIGAN

STATEMENT OF NET ASSETS JUNE 30, 2004

	Primary Government			Component
	Governmental	Business Type	Total	Unit (DDA)
	Activities	Activities		
ASSETS:				
Cash and cash equivalents	\$ 505,124	\$ 52,850	\$ 557,974	\$ 254,425
Investments	215,147	29,385	244,532	-
Receivables (net of allowance)	162,721	93,530	256,251	-
Prepaid expenditures	29,145	-	29,145	-
Internal balances	26,941	(26,941)	-	1,180
Restricted Assets -				
Cash and cash equivalents	-	175,064	175,064	-
Investments	-	63,266	63,266	-
Deposits with County	-	91,965	91,965	-
Deferred Charges	-	65,505	65,505	-
Capital assets (net of accumulated depreciation)				
Assets not being depreciated	222,759	39,000	261,759	-
Assets being depreciated	519,824	5,602,797	6,122,621	-
Total Assets	<u>1,681,661</u>	<u>6,186,421</u>	<u>7,868,082</u>	<u>255,605</u>
LIABILITIES:				
Payables and accrued liabilities	68,505	14,025	82,530	-
Accrued interest	-	17,347	17,347	-
Advances and deposits	-	16,334	16,334	-
Due to component unit	1,180	-	1,180	-
Non-current liabilities				
Due within one year	8,770	150,000	158,770	-
Due in more than one year	119,168	1,957,947	2,077,115	-
Total Liabilities	<u>197,623</u>	<u>2,155,653</u>	<u>2,353,276</u>	<u>-</u>
NET ASSETS:				
Investment in capital assets, net of related liabilities	623,478	3,584,955	4,208,433	-
Restricted	15,853	330,295	346,148	-
Unrestricted	<u>844,707</u>	<u>115,518</u>	<u>960,225</u>	<u>255,605</u>
Total Net Assets	<u>\$ 1,484,038</u>	<u>\$ 4,030,768</u>	<u>\$ 5,514,806</u>	<u>\$ 255,605</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF CAPAC, MICHIGAN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Fees, Fines and Charges for Services</u>	<u>Operating Grants and Contributions</u>
Primary Government			
Governmental activities:			
General Government	\$ 177,143	\$ 3,844	\$ -
Public Safety	460,135	26,836	81,150
Public Works	255,432	10,712	119,649
Economic Development	21,290	-	-
Recreation and Culture	19,441	-	6,763
Other Activities	59,508	-	-
Interest on Long Term Debt	3,475	-	-
Total governmental activities	<u>996,424</u>	<u>41,392</u>	<u>207,562</u>
Business type activities			
Sewer	296,193	146,846	-
Water	278,941	213,628	-
Trash	50,438	54,922	-
Total business type activities	<u>625,572</u>	<u>415,396</u>	<u>-</u>
Total Primary Government	<u>\$ 1,621,996</u>	<u>\$ 456,788</u>	<u>\$ 207,562</u>
Component Units			
Downtown Development Authority	<u>5,000</u>	<u>-</u>	<u>-</u>
Total Component Units	<u>\$ 5,000</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:
 Property taxes
 Grants and contribution not
 restricted to specific programs
 State shared revenue
 Other
 Unrestricted investment income
 Transfers
 Gain of sale of assets
 Total general revenues and transfers

Change in net assets

Net assets at beginning of year

Net assets at end of year

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Change in Net Assets				
Capital Grants and Contributions	Primary Government			Component Unit (DDA)
	Governmental Activities	Business Type Activities	Total	
\$ -	\$ (173,299)	\$ -	\$ (173,299)	\$ -
-	(352,149)	-	(352,149)	-
-	(125,071)	-	(125,071)	-
-	(21,290)	-	(21,290)	-
-	(12,678)	-	(12,678)	-
-	(59,508)	-	(59,508)	-
-	(3,475)	-	(3,475)	-
-	(747,470)	-	(747,470)	-
-	-	(149,347)	(149,347)	-
-	-	(65,313)	(65,313)	-
-	-	4,484	4,484	-
-	-	(210,176)	(210,176)	-
<u>\$ -</u>	<u>(747,470)</u>	<u>(210,176)</u>	<u>(957,646)</u>	<u>-</u>
-	-	-	-	(5,000)
<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,000)</u>
	470,402	103,837	574,239	43,120
	221,993	-	221,993	-
	15,943	-	15,943	-
	13,332	3,498	16,830	1,421
	(117,712)	117,712	-	-
	9,688	-	9,688	-
	<u>613,646</u>	<u>225,047</u>	<u>838,693</u>	<u>44,541</u>
	(133,824)	14,871	(118,953)	39,541
	<u>1,617,862</u>	<u>4,015,897</u>	<u>5,633,759</u>	<u>216,064</u>
<u>\$ 1,484,038</u>	<u>\$ 4,030,768</u>	<u>\$ 5,514,806</u>	<u>\$ 255,605</u>	

VILLAGE OF CAPAC, MICHIGAN

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004**

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>
ASSETS			
Assets:			
Cash and cash equivalents	\$ 29,049	\$ 117,057	\$ 7,152
Investments	766	-	-
Receivables -			
Taxes	51,239	-	-
Accounts	19,391	-	-
Due from other governmental units -			
State	71,496	14,916	5,404
Due from other funds	6,514	-	-
	<u>178,455</u>	<u>131,973</u>	<u>12,556</u>
Total Assets	\$ 178,455	\$ 131,973	\$ 12,556
Liabilities:			
Accounts payable	\$ 38,498	273	364
Accrued liabilities	7,254	-	-
Due to developers	5,572	-	-
Due to other funds	43,931	-	771
Due to component unit	1,180	-	-
Deferred revenue	65,143	-	-
	<u>161,578</u>	<u>273</u>	<u>1,135</u>
Total Liabilities	161,578	273	1,135
Fund Balances:			
Reserved -	15,853	-	-
Unreserved -			
Undesignated -			
General Fund	1,024	-	-
Special Revenue Funds	-	131,700	11,421
Capital Projects Fund	-	-	-
Total Equity	<u>16,877</u>	<u>131,700</u>	<u>11,421</u>
Total Liabilities and Fund Equity	\$ 178,455	\$ 131,973	\$ 12,556

The accompanying notes are an integral part of these financial statements.

<u>Street and Highway</u>	<u>Street Improvement</u>	<u>Equipment Replacement</u>	<u>Water and Sewer Connection Fees</u>	<u>Total Governmental Funds</u>
\$ -	\$ 6,932	\$ 96,521	\$ 248,413	\$ 505,124
6,830		-	207,551	215,147
-		-	-	51,239
275		-	-	19,666
-		-	-	91,816
-	40,000	-	43,908	90,422
<u>\$ 7,105</u>	<u>\$ 46,932</u>	<u>\$ 96,521</u>	<u>\$ 499,872</u>	<u>\$ 973,414</u>
1,506	-	-	15,038	\$ 55,679
-	-	-	-	7,254
-	-	-	-	5,572
18,779	-	-	-	63,481
-	-	-	-	1,180
-	-	-	-	65,143
<u>20,285</u>	<u>-</u>	<u>-</u>	<u>15,038</u>	<u>198,309</u>
-	-	-	-	15,853
-	-	-	-	1,024
(13,180)	46,932	-	-	176,873
-	-	96,521	484,834	581,355
<u>(13,180)</u>	<u>46,932</u>	<u>96,521</u>	<u>484,834</u>	<u>775,105</u>
<u>\$ 7,105</u>	<u>\$ 46,932</u>	<u>\$ 96,521</u>	<u>\$ 499,872</u>	<u>\$ 973,414</u>

VILLAGE OF CAPAC, MICHIGAN

RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS JUNE 30, 2004

Fund Balances - total governmental funds	\$ 775,105
Amounts reported for governmental activities in the statement of net assets are different because:	
Prepaid expenses are recorded in the funds on the purchase method	29,145
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets	1,245,709
Accumulated depreciation	(503,126)
Other long term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	65,143
Long - term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Notes payable	(119,105)
Accrued compensated absence	(8,833)
Net Assets of governmental activities	<u>\$ 1,484,038</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF CAPAC, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2004

	General	Major Street	Local Street
Revenues:			
Taxes	\$ 298,188	\$ -	\$ -
Licenses and permits	15,943	-	-
Intergovernmental -			
Federal/State	289,239	87,853	31,796
Local	6,763	-	-
Charges for services	-	-	-
Fines and forfeits	12,456	-	-
Interest and rent	1,641	499	42
Other	18,224	-	-
Total Revenues	<u>642,454</u>	<u>88,352</u>	<u>31,838</u>
Expenditures:			
Current -			
General Government	165,368	-	-
Public Safety	440,334	-	-
Public Works	40,500	35,859	30,568
Economic Development	21,290	-	-
Recreation and Cultural	12,779	-	-
Other	60,185	-	-
Capital Outlay	181,992	-	-
Debt Service	8,370	-	-
Total Expenditures	<u>930,818</u>	<u>35,859</u>	<u>30,568</u>
Excess of revenues over (under) expenditures	<u>(288,364)</u>	<u>52,493</u>	<u>1,270</u>
Other Financing Sources (Uses):			
Loan proceeds	124,000	-	-
Transfers in	-	-	5,847
Transfers out	(14,000)	-	-
Total Other Financing Sources (Uses)	<u>110,000</u>	<u>-</u>	<u>5,847</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(178,364)</u>	<u>52,493</u>	<u>7,117</u>
Fund Balances at beginning of year	144,223	79,207	4,304
Prior period adjustment	<u>51,018</u>	<u>-</u>	<u>-</u>
Fund Balances at beginning of year as restated	<u>195,241</u>	<u>79,207</u>	<u>4,304</u>
Fund Balances at end of year	<u>\$ 16,877</u>	<u>\$ 131,700</u>	<u>\$ 11,421</u>

The accompanying notes are an integral part of these financial statements.

Street and Highway	Street Improvement	Equipment Replacement	Water and Sewer Connection Fees	Total Governmental Funds
\$ 119,456	\$ 52,758	\$ -	\$ -	\$ 470,402
-	-	-	-	15,943
-	-	-	-	408,888
-	-	-	-	6,763
-	-	-	10,400	10,400
-	-	-	-	12,456
412	103	967	9,668	13,332
312	-	9,688	-	28,234
<u>120,180</u>	<u>52,861</u>	<u>10,655</u>	<u>20,068</u>	<u>966,408</u>
-	-	-	-	165,368
-	-	-	-	440,334
124,037	414	280	-	231,658
-	-	-	-	21,290
-	-	-	-	12,779
-	-	-	-	60,185
-	-	114,884	40,854	337,730
-	-	-	-	8,370
<u>124,037</u>	<u>414</u>	<u>115,164</u>	<u>40,854</u>	<u>1,277,714</u>
(3,857)	52,447	(104,509)	(20,786)	(311,306)
-	-	-	-	124,000
-	-	24,000	-	29,847
(10,000)	(5,847)	-	(76,858)	(106,705)
(10,000)	(5,847)	24,000	(76,858)	47,142
(13,857)	46,600	(80,509)	(97,644)	(264,164)
677	332	177,030	582,478	988,251
-	-	-	-	51,018
<u>677</u>	<u>332</u>	<u>177,030</u>	<u>582,478</u>	<u>1,039,269</u>
<u>\$ (13,180)</u>	<u>\$ 46,932</u>	<u>\$ 96,521</u>	<u>\$ 484,834</u>	<u>\$ 775,105</u>

VILLAGE OF CAPAC, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES JUNE 30, 2004

Net change in fund balances - total governmental funds	\$ (264,164)
Change in prepaid expenses recorded in the funds on the purchase method	811
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay	337,730
Depreciation expense	(61,045)
Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	13,904
The issuance of long-term debt (e.g. bonds and notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources to governmental funds. Neither transaction, however, has any effect on the net assets	
Note proceeds	(124,000)
Principal payments on long term liabilities	4,895
Increase in accrued compensated absences	(1,101)
Expenses incurred for the Water/Sewer funds by the governmental funds and are therefore recorded as a transfer on the statement of activities	(40,854)
Change in net assets of governmental activities	<u>\$ (133,824)</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF CAPAC, MICHIGAN
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2004

	Business Type Activities-Enterprise Funds			
	Sewer	Water	Trash	Total
ASSETS:				
Current Assets:				
Cash and cash equivalents	\$ 28,082	\$ 10,160	\$ 14,608	\$ 52,850
Investments	16,236	9,981	3,168	29,385
Accounts receivable	31,859	49,881	11,790	93,530
Due from other funds	-	3,931	13,036	16,967
Total Current Assets	<u>76,177</u>	<u>73,953</u>	<u>42,602</u>	<u>192,732</u>
Restricted Assets:				
Cash and cash equivalents	82,419	92,645	-	175,064
Investments	-	63,266	-	63,266
Deposits with County	91,965	-	-	91,965
	<u>174,384</u>	<u>155,911</u>	<u>-</u>	<u>330,295</u>
Noncurrent assets				
Capital assets	6,175,840	2,694,619	4,836	8,875,295
Less - accumulated depreciation	(1,958,404)	(1,270,558)	(4,536)	(3,233,498)
Total Capital Assets (net of accumulated depreciation)	<u>4,217,436</u>	<u>1,424,061</u>	<u>300</u>	<u>5,641,797</u>
Deferred Charges	30,564	34,941	-	65,505
	<u>4,248,000</u>	<u>1,459,002</u>	<u>300</u>	<u>5,707,302</u>
Total Assets	<u>4,498,561</u>	<u>1,688,866</u>	<u>42,902</u>	<u>6,230,329</u>
LIABILITIES:				
Current Liabilities:				
Accounts payable	1,618	2,013	10,394	14,025
Due to other funds	43,908	-	-	43,908
Deposits payable	16,334	-	-	16,334
Total Current Liabilities	<u>61,860</u>	<u>2,013</u>	<u>10,394</u>	<u>74,267</u>
Current Liabilities payable from restricted assets				
Current portion of bonds/notes payable	105,000	45,000	-	150,000
Interest payable	13,332	4,015	-	17,347
	<u>118,332</u>	<u>49,015</u>	<u>-</u>	<u>167,347</u>
Noncurrent liabilities (less current portions):				
Accrued vacation and sick	884	2,063	-	2,947
Bonds payable (net of current portion)	1,035,000	525,000	-	1,560,000
Notes payable (net of current portion)	395,000	-	-	395,000
Total Long-Term Liabilities	<u>1,430,884</u>	<u>527,063</u>	<u>-</u>	<u>1,957,947</u>
Total Liabilities	<u>1,611,076</u>	<u>578,091</u>	<u>10,394</u>	<u>2,199,561</u>
NET ASSETS:				
Investment in capital assets, net	2,699,668	884,987	300	3,584,955
Restricted	174,384	155,911	-	330,295
Unrestricted -				
Undesignated	<u>13,433</u>	<u>69,877</u>	<u>32,208</u>	<u>115,518</u>
Total Net Assets	<u>\$ 2,887,485</u>	<u>\$ 1,110,775</u>	<u>\$ 32,508</u>	<u>\$ 4,030,768</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF CAPAC, MICHIGAN

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2004

	Business Type Activities-Enterprise Funds			
	Sewer	Water	Trash	Total
Operating Revenues:				
Charges for services	\$ 145,315	\$ 201,118	\$ 54,922	\$ 401,355
Other	1,531	12,510	-	14,041
Total Operating Revenues	<u>146,846</u>	<u>213,628</u>	<u>54,922</u>	<u>415,396</u>
Operating Expenses:				
Salaries	46,475	56,072	223	102,770
Fringe benefits	32,380	31,378	10	63,768
Professional fees	1,072	1,072	1,208	3,352
Contracted services	1,350	-	-	1,350
Insurance	4,267	4,267	-	8,534
Repairs and maintenance	24,279	23,900	-	48,179
Telephone	-	966	-	966
Supplies	3,624	18,007	505	22,136
Utilities	10,149	8,464	-	18,613
Rubbish expenditures	-	-	48,106	48,106
Miscellaneous	12,248	20,449	286	32,983
Depreciation	74,332	40,644	100	115,076
Total Operating Expenses	<u>210,176</u>	<u>205,219</u>	<u>50,438</u>	<u>465,833</u>
Operating Income (Loss)	<u>(63,330)</u>	<u>8,409</u>	<u>4,484</u>	<u>(50,437)</u>
Non-Operating Revenues (Expenses):				
Interest income	1,729	1,639	130	3,498
Interest expense	(86,017)	(32,868)	-	(118,885)
Property taxes	103,837	-	-	103,837
Total Non-Operating Revenues	<u>19,549</u>	<u>(31,229)</u>	<u>130</u>	<u>(11,550)</u>
Net Income (Loss) Before Transfers	<u>(43,781)</u>	<u>(22,820)</u>	<u>4,614</u>	<u>(61,987)</u>
Transfers:				
Transfers in	<u>76,858</u>	<u>-</u>	<u>-</u>	<u>76,858</u>
Net Income (Loss)	<u>33,077</u>	<u>(22,820)</u>	<u>4,614</u>	<u>14,871</u>
Net Assets at beginning of year	<u>398,502</u>	<u>423,330</u>	<u>23,894</u>	<u>845,726</u>
Prior Period Adjustment	<u>2,455,906</u>	<u>710,265</u>	<u>4,000</u>	<u>3,170,171</u>
Net Assets at beginning of year as restated	<u>2,854,408</u>	<u>1,133,595</u>	<u>27,894</u>	<u>4,015,897</u>
Net Assets end of year	<u>\$ 2,887,485</u>	<u>\$ 1,110,775</u>	<u>\$ 32,508</u>	<u>\$ 4,030,768</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF CAPAC, MICHIGAN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	Business Type Activities-Enterprise Funds			
	Sewer	Water	Trash	Total
Cash Flows From Operating Activities:				
Cash receipts from customers	\$ 146,873	\$ 209,139	\$ 46,854	\$ 402,866
Cash payments to suppliers	(182,536)	(104,781)	(39,728)	(327,045)
Cash payments to employees	(46,475)	(56,072)	(223)	(102,770)
Net Cash Provided by Operating Activities	(82,138)	48,286	6,903	(26,949)
Cash Flows From Non-capital Financing Activities:				
Due from other funds	-	-	(13,036)	
Transfers from/to other funds	76,858	-	-	76,858
Net Cash Used from Non-Capital Financing Activities	76,858	-	(13,036)	76,858
Cash Flows From Capital and Related Financing Activities:				
Principle payments	(525,000)	(555,000)	-	(1,080,000)
Interest payments	(92,381)	(35,820)	-	(128,201)
Note proceeds	451,879	533,046	-	984,925
Property taxes	103,837	-	-	103,837
Acquisition and construction of capital assets	(93,295)	(4,450)	-	(97,745)
Net Cash Used by Capital and Related Financing Activities	(154,960)	(62,224)	-	(217,184)
Cash Flows From Investing Activities:				
Purchase of investments	-	(786)	-	(786)
Interest earned	1,729	1,639	130	3,498
Net Cash Provided by Investing Activities	1,729	853	130	2,712
Net Increase (Decrease) in Cash and Cash Equivalents for the year	(158,511)	(13,085)	(6,003)	(164,563)
Cash and Cash Equivalents at Beginning of Year	360,977	115,890	20,611	497,478
Cash and Cash Equivalents at End of Year	\$ 202,466	\$ 102,805	\$ 14,608	\$ 332,915
Reconciliation of Net Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss) for the year	\$(63,330)	\$ 8,409	\$ 4,484	\$(50,437)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities -				
Depreciation	74,332	40,644	100	115,076
Change in assets and liabilities:				
Receivable	27	(4,489)	(8,068)	(12,530)
Due from other funds	-	-	(13,036)	(13,036)
Prepays and deposits	-	-	-	-
Accounts payable/accrued expenses	(3,033)	1,709	10,387	9,063
Due to other funds	(90,134)	-	-	(90,134)
Net Cash Provided By Operating Activities	\$(82,138)	\$ 46,273	\$(6,133)	\$(41,998)

The accompanying notes are an integral part of these financial statements.

VILLAGE OF CAPAC, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2004

	<u>Agency Fund</u>
ASSETS:	
Cash and cash equivalents	\$ 1,388
Due from other governmental units	<u>1,034</u>
	<u>\$ 2,422</u>
LIABILITIES:	
Due to other governmental units	2,422
Due to other funds	<u>-</u>
	<u>\$ 2,422</u>

VILLAGE OF CAPAC, MICHIGAN
St. Clair County, Michigan

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Reporting Entity -

The Village of Capac, Michigan, was incorporated as a General Law Village in 1857, under provisions of the constitution and general law of the State of Michigan, with its Charter provided by Act 3 of 1895. The Village is located in Western St. Clair County, and covers an area of approximately 2 square miles. The Village operates under an elected Village Council, which consists of the President and six Council members, with the daily activities operated by the Village President. The Village provides services to its approximately 1,500 residents in many areas including law enforcement, water supply, sewage treatment, and other public works, including street maintenance.

These financial statements present the Village and its component units, entities for which the Village is considered to be financially accountable. The discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Village.

DISCRETELY PRESENTED COMPONENT UNIT -

DOWNTOWN DEVELOPMENT AUTHORITY - The Authority is controlled by a nine member Council, who are appointed by the Village President. The DDA is responsible for the creation of a development and financial plan for the Downtown district or a development area within the district to promote economic growth. The Authority must obtain Village Council approval of all development and financial plans. The annual operating budget and any modification also requires the approval of the Village Council.

The Downtown Development Authority was included in the scope of the audit of the basic financial statements. Separate audited financial statements for this component unit were not issued.

B. Government-wide and fund financial statements -

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

VILLAGE OF CAPAC, MICHIGAN
St. Clair County, Michigan

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation -

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year they are due. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. Therefore, agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers all revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

State shared revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and therefore have been recognized as revenues of the current fiscal period. Property taxes which are levied on July 1, and due on September 14, are recognized as revenue in the year due. All other revenue items are considered to be measurable and available only when cash is received by the Village.

VILLAGE OF CAPAC, MICHIGAN
St. Clair County, Michigan

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

The Village reports the following major governmental funds:

General Fund - is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Major Street Fund - is a special revenue fund used to account for ACT 51 money and other related revenues restricted for major street maintenance and improvements.

Local Street Fund - is a special revenue fund used to account for Act 51 money and other related revenue restricted for local street maintenance and improvement.

Street and Highway Fund - is a special revenue fund used to account for taxes and other miscellaneous revenues and expenditures relating to street and highway construction and improvement.

Street Improvement Fund - is a special revenue fund used to account for taxes and other miscellaneous revenues and expenditures relating to street and highway construction and improvement.

Equipment Replacement Fund - is a capital project fund used to account for costs of acquiring certain equipment for all the funds. Most revenue, other than interest, comes from transfers from other funds.

Water and Sewer Connection Fees Fund - is a capital project fund used to account for the construction of major capital assets for the water and sewer funds.

The Village reports the following major proprietary funds:

Sewer Fund - is used to account for sanitary sewer services provided to the residential and commercial users.

Water Fund - is used to account for the treatment and distribution of water to the residential and commercial users.

Trash Fund - is used to account for the operations and activities of the Village's Garbage collection.

Additionally, the government reports the following fund types:

Agency Fund - is used to account for assets held by the Village as an agent for individuals, other governments and/or funds. The Agency Fund is custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

VILLAGE OF CAPAC, MICHIGAN
St. Clair County, Michigan

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for these business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principle operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for Enterprise Funds include costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then the unrestricted resources as they are needed.

D. Assets, Liabilities and Net Assets or Equity -

Deposits and Investments -

The Village maintains a common checking account for its operation funds. Each participating fund reports its share separately.

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits, savings, certificates of deposit with original maturities of three months or less from the date of acquisition and financial institution pooled funds. The financial institution pooled funds have the general characteristics of demand deposit accounts in that the Village may deposit additional cash at any time and effectively may withdraw cash at any time without prior notice or penalty, and are reported as cash and cash equivalents.

VILLAGE OF CAPAC, MICHIGAN
St. Clair County, Michigan

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Receivables and Payables -

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles.

Inventories and Prepaid Items -

Certain payments to vendors reflect costs applicable to further accounting periods and are recorded in the fund financial statements on the purchase method and as prepaid in the government-wide financial statements.

Property Tax Calendar -

The Village's property tax is levied as of July 1 on the assessed valuation of property located in the Village as of the preceding December 31, as adjusted by the March and July Board of Reviews. The taxes are due on September 14, after which they are added to the delinquent tax roll.

Capital Assets -

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial, individual cost of more than \$1000 and an estimated useful life in excess of two years. (Assets that were capitalized in the Water and Sewer Funds prior to July 1, 2003 with a value less than \$1,000 were not removed.) Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

As permitted by GASB Statement No. 34, the Village has elected not to report governmental infrastructure assets (principally roads and sidewalks) acquired prior to July 1, 2003.

VILLAGE OF CAPAC, MICHIGAN
St. Clair County, Michigan

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Capital assets of the primary government, as well as the component unit, are depreciated using the straight line method over the following estimated useful lives.

<u>Primary Government -</u>	<u>Years</u>
Building and Improvements	7-50
Utility Systems	10-80
Road Systems/Other Infrastructure	20-30
Machinery and Equipment	3-20
Vehicles	3-10

Compensated Absences -

In accordance with contracts negotiated with the various employee groups of the Village, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the contracts. All vested vacation and sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations -

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, if significant, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity -

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

VILLAGE OF CAPAC, MICHIGAN
St. Clair County, Michigan

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Estimates -

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

Budgetary Information -

The General and Special Revenue Funds budgets shown in the financial statements were prepared on a basis consistent with accounting principles generally accepted in the United States of America and on the same modified accrual basis used to reflect actual results.

The Village President prepares the proposed operating budgets for the year commencing the following July 1. The operating budgets include proposed expenditures and resources to finance them.

Prior to June 30, the proposed budgets are presented to the Village Council. The Council holds a public hearing and may add to, subtract from, or change appropriations. The budgets are then legally enacted through passage of a Village Council Resolution.

The approved budgets of the Village were adopted for the General and Special Revenue Funds at the activity level. These are the enacted levels under the State of Michigan Uniform Budgeting and Accounting Act and the legally adopted levels of the budget. State statutes do not require legally adopted budgets for debt service or capital projects funds.

Budgets are maintained throughout the year at the account level, to provide additional control in preventing over-expenditures at the legally adopted levels. Amendments at the activity level for the General and Special Revenue Funds must be approved by the Village Council.

The Village does not employ encumbrance accounting as an extension of formal budgetary integration. All annual appropriations lapse at year end.

Budget amounts are reported as originally adopted and as final amended by the Village Council, during the year.

Michigan Public Act 621 of 1978 Section 18, as amended, provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated at the legally enacted level.

VILLAGE OF CAPAC, MICHIGAN
St. Clair County, Michigan

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - (cont'd):

During the year ended June 30, 2004, the Village incurred expenditures in the General and Special Revenue Funds, which were in excess of the amounts appropriated at the activity level as follows:

Excess of Expenditures Over Appropriations -

<u>Fund Type/Function/Activity</u>	<u>Final Budget</u>	<u>Expended</u>	<u>Variance</u>
PRIMARY GOVERNMENT -			
General Fund -			
Administrative	\$ 31,875	\$ 36,251	\$ 4,376
Village Manager	-	13,719	13,719
Clerk	19,667	24,785	5,118
Village Hall	47,638	58,285	10,647
Police Department	355,080	440,339	85,259
Department of Public Works	8,500	18,000	9,500
Planning	-	21,290	21,290
Library	8,530	8,980	450
Capital Outlay	57,494	181,902	124,408
Street Improvement Fund -			
Transfers out	-	5,847	5,847
Street and Highway Fund -			
Public Works	114,701	124,037	9,336

Other -

As of June 30, 2004 the Street and Highway Fund had a fund balance deficit of \$13,180.

NOTE 3 - DEPOSITS AND INVESTMENTS:

Deposits -

Act 217 PA 1982, as amended, authorizes the Village to deposit in certificates of deposit, savings accounts, depository accounts or depository receipts of a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act 105 of the Public Acts of 1855, as amended, by section 21.145 and 21.146 of the Michigan Compiled Laws.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured institution for savings and demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000.

VILLAGE OF CAPAC, MICHIGAN
St. Clair County, Michigan

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 3 - DEPOSITS AND INVESTMENTS - (cont'd):

As of June 30, 2004, the bank balance of the Village's deposits were \$1,011,343 of which \$200,000 was FDIC insured with the balance \$811,343 uninsured and uncollateralized.

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Unit</u>	<u>Total</u>
Deposits -				
Deposits with Financial Institutions -				
Checking/Money Market	\$ 733,038	\$ 1,388	\$ 254,425	\$ 989,851
Savings/Certificates of Deposit	<u>307,798</u>	<u> </u>	<u> </u>	<u>307,798</u>
Total Deposits	<u>\$1,040,836</u>	<u>\$ 1,388</u>	<u>\$ 254,425</u>	<u>\$1,297,649</u>
Reconciliation to Combined Balance Sheet				
Reported as Cash and Cash Equivalents -				
Cash in Checking/Money Market	733,038	1,388	254,425	989,851
Reported as Investments -				
Certificates of Deposit	<u>307,798</u>	<u> </u>	<u> </u>	<u>307,798</u>
	<u>\$ 1,040,836</u>	<u>\$ 1,388</u>	<u>\$ 254,425</u>	<u>\$1,297,649</u>

NOTE 4 - TAXES:

The Village property taxes are levied each July on the assessment valuation of the property in the Village as of the preceding December 31, as adjusted by the March and July Board of Review.

Assessed values are established annually by the respective Village/Township and are equalized by the State at an estimated percentage of the current market value. Real and personal property for the Village of Capac for the fiscal year 2004 had a Taxable Equalized Value of \$30,144,115 and a State Equalized Value (SEV) of \$38,287,459. The millage rates levied by the Village were 10.2404 for the General Fund, 4.0953 for the Municipal Street Fund, 1.7876 mills for Street Improvements, and 3.5000 for CSO Sewer Bond.

The County of St. Clair has established a Tax Collection Revolving Fund whereby all local units of government are paid for the delinquent real property taxes each year.

NOTE 5 - INTERFUND RECEIVABLE, PAYABLE AND TRANSFERS:

Interfund receivable and payable balances described as Due From and Due To Other Funds on the Balance Sheet reflect amounts due or owed to a particular fund by another fund of the Village. These amounts include only short-term obligations on open accounts, and not current portions of long-term loans.

VILLAGE OF CAPAC, MICHIGAN
St. Clair County, Michigan

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 5 - INTERFUND RECEIVABLE, PAYABLE AND TRANSFERS - (cont'd):

A summary of these balances by fund type at June 30, 2004, is as follows:

Due To/From Other Funds -

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Street and Highway	\$ 5,743
	Local Street	771
Special Revenue Funds -		
Street Improvements	General	40,000
Capital Project -		
Water and Sewer Connection Fee		43,908
Enterprise Funds -		
Water Fund	General	3,931
Trash Fund	Street and Highway	<u>13,036</u>
Total		<u>\$ 107,389</u>

Due To/From Primary Government and Component Units -

<u>Component Unit -</u>	<u>Primary Government -</u>	
Downtown Development Authority	General	\$ 1,189

Transfers From/To Other Funds -

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Local Street Fund	Street Improvement Fund	\$ 5,847
Equipment Reserve Fund	Street and Highway Fund	10,000
	General Fund	14,000
Sewer Fund	Water and Sewer Connection Fee Fund	<u>76,858</u>
Total		<u>\$ 106,705</u>

VILLAGE OF CAPAC, MICHIGAN
St. Clair County, Michigan

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 6 - CAPITAL ASSETS:

Capital asset activity of the primary government for the year ended June 30, 2004 was as follows:

Primary Government

	July 1, 2003 <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	June 30, 2004 <u>Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 99,254	\$ -	\$ -	\$ 99,254
Construction in progress	<u>3,000</u>	<u>121,505</u>	<u>-</u>	<u>123,505</u>
Total capital assets, not being depreciated	<u>101,254</u>	<u>121,505</u>	<u>-</u>	<u>222,759</u>
Capital assets, being depreciated:				
Land Improvements	86,779	-	-	86,779
Buildings and improvements	434,574	31,424	-	465,998
Machinery and equipment	135,044	81,679	-	216,723
Vehicles	191,182	51,002	-	242,184
Infrastructure	<u>-</u>	<u>11,266</u>	<u>-</u>	<u>11,266</u>
Total capital assets being depreciated	<u>847,579</u>	<u>175,371</u>	<u>-</u>	<u>1,022,950</u>
Less accumulated depreciation for:				
Land Improvements	12,911	4,339	-	17,250
Buildings and Improvements	237,349	9,970	-	247,319
Machinery and equipment	98,718	15,703	-	114,421
Vehicles	93,103	30,808	-	123,911
Infrastructure	<u>-</u>	<u>225</u>	<u>-</u>	<u>225</u>
Total accumulated depreciation	<u>442,081</u>	<u>61,045</u>	<u>-</u>	<u>503,126</u>
Governmental activities capital assets, net	<u>\$ 506,752</u>	<u>\$ 235,831</u>	<u>\$ -</u>	<u>\$ 742,583</u>
Business-type Activities:				
Capital assets, not being depreciated:				
Land	<u>\$ 39,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,000</u>
Capital assets, being depreciated				
Utility systems	8,682,174	97,745	-	8,779,919
Machinery and equipment	<u>56,376</u>	<u>-</u>	<u>-</u>	<u>56,376</u>
Total capital assets being depreciated	<u>8,738,550</u>	<u>97,745</u>	<u>-</u>	<u>8,836,295</u>
Less accumulated depreciation for:				
Utility systems	3,073,370	109,064	-	3,182,434
Machinery and equipment	<u>45,052</u>	<u>6,012</u>	<u>-</u>	<u>51,064</u>
Total accumulated depreciation	<u>3,118,422</u>	<u>115,076</u>	<u>-</u>	<u>3,233,498</u>
Total capital assets, being depreciated, net	<u>5,620,128</u>	<u>(17,331)</u>	<u>-</u>	<u>5,602,797</u>
Business-type activities, capital assets, net	<u>\$ 5,659,128</u>	<u>\$ (17,331)</u>	<u>\$ -</u>	<u>\$ 5,641,797</u>

VILLAGE OF CAPAC, MICHIGAN
St. Clair County, Michigan

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 6 - CAPITAL ASSETS - (cont'd):

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 10,027
Public Safety	19,766
Public Works	24,590
Recreation/Culture	<u>6,662</u>
Total depreciation expense - governmental activities	<u>\$ 61,045</u>
Business-type activities:	
Sewer	\$ 74,332
Water	40,644
Trash	<u>100</u>
Total depreciation expense - business-type activities	<u>\$115,076</u>

NOTE 7 - LONG-TERM LIABILITIES:

The following is a summary of changes in the long-term liabilities (including current portions) for the year ended June 30, 2004:

	Balance July 1, 2003	Additions	Reductions	Balance June 30, 2004	Due Within One Year
<u>Governmental Activities:</u>					
Police Building Note Payable	-	\$ 124,000	\$ 4,895	\$ 119,105	8,770
Accrued sick and vacation	<u>7,732</u>	<u>1,101</u>	<u>-</u>	<u>8,833</u>	<u>-</u>
Total Governmental Funds	<u>7,732</u>	<u>125,101</u>	<u>4,895</u>	<u>127,938</u>	<u>8,770</u>
<u>Business-type Activities:</u>					
1989 Water Supply Revenue Refunding Bonds	555,000	-	555,000	-	-
1991 General Obligation Sewage Disposal System Bonds	500,000	-	400,000	40,000	40,000
Michigan Water Pollution Control Loan	375,000	-	40,000	335,000	40,000
2000 Sewage Disposal System No. X Bonds	715,000	-	25,000	690,000	25,000
2004 Water Supply System Refunding Bonds	-	570,000	-	570,000	45,000
2004 Sewage Disposal System No. X Refunding Bonds	-	470,000	-	470,000	-
Accrued sick and vacation	<u>2,670</u>	<u>277</u>	<u>-</u>	<u>2,947</u>	<u>-</u>
Total Business-type Activities	<u>2,147,670</u>	<u>1,040,277</u>	<u>1,080,000</u>	<u>2,107,947</u>	<u>150,000</u>
Total Entity Primary Government	<u>\$2,155,402</u>	<u>\$1,165,378</u>	<u>\$1,084,895</u>	<u>\$2,235,885</u>	<u>\$ 158,770</u>

VILLAGE OF CAPAC, MICHIGAN
St. Clair County, Michigan

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 7 - LONG-TERM LIABILITIES - (cont'd):

Significant details regarding outstanding long-term debt (including current portions) are presented as follows:

Accrued Vacation and Sick Pay:

In accordance with contracts negotiated with the various employee groups of the Village, individual employees have vested rights upon termination of employment to receive payments for unused vacation and sick leave under formulas and conditions specified in the contracts. The dollar amount of these vested rights have been accrued on the financial statements.

\$ 11,780

Michigan Water Pollution Control Revolving Loan Fund Program:

To cover part of the construction cost of the Sewage Disposal System, the Village borrowed \$780,000 through the Michigan Municipal Bond Authority as part of the Michigan Water Pollution Control Revolving Loan Fund Program. The total amount of loan money available was \$780,000, however only \$750,409 was drawn. The loan, dated September 26, 1991, is due in annual installments ranging from \$40,000 to \$45,000 through October 1, 2011, with interest of 2%, payable semi-annually.

\$ 335,000

Water Supply System Revenue Refunding Bonds, Series 2004:

The 2004 \$570,000 Water Supply System Revenue Refunding Bonds, Dated February 18, 2004, due in annual installments ranging from \$30,000 to \$45,000 through November 1, 2018, with interest ranging from 2.0 to 4.125 percent, payable semi-annually. These bonds were issued to pay off the 1989 Water Supply System Revenue bonds of \$555,000.

\$ 570,000

VILLAGE OF CAPAC, MICHIGAN
St. Clair County, Michigan

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 7 - LONG-TERM LIABILITIES - (cont'd):

The annual requirements to amortize the following Water supply system bond and loan outstanding at June 30, 2004 are as follows:

	Michigan Water Revolving Loan		2004 Water Supply System Refunding Bond	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 40,000	\$ 6,300	\$ 45,000	\$ 20,164
2006	40,000	5,500	40,000	15,639
2007	40,000	4,700	35,000	15,089
2008	40,000	3,900	40,000	14,339
2009	45,000	3,050	35,000	13,536
2010-2014	130,000	4,000	190,000	51,889
2015-2019	<u> -</u>	<u> -</u>	<u>185,000</u>	<u>18,422</u>
	<u>\$ 335,000</u>	<u>\$ 27,450</u>	<u>\$ 570,000</u>	<u>\$ 149,278</u>

1991 General Obligation Sewage Disposal System Bonds:

The 1991 \$680,000 General Obligation Bonds, dated October 1, 1991, has a balance outstanding of \$40,000 due on October 1, 2004. The remaining \$460,000 was paid off with the issuance of the 2004 Sewage Disposal System No. X Refunding bonds.

\$ 40,000

Sewage Disposal System No. X Bonds, Series 2000:

The 2000 \$790,000 Sewage Disposal System Bonds, dated August 1, 2000, due in annual installments ranging from \$25,000 to \$65,000 through April 1, 2020, with interest ranging from 5.00 to 5.55 percent, payable semi-annually.

\$ 690,000

Sewage Disposal System No. X Refunding Bonds, Series 2004:

The 2004 Sewage Disposal System No. X Refunding Bonds, dated May 18, 2004, due in annual installments ranging from \$55,000 to \$75,000 through October 1, 2011, with interest ranging from 2.0 to 3.750 percent, payable semi-annually.

\$ 470,000

VILLAGE OF CAPAC, MICHIGAN
St. Clair County, Michigan

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 7 - LONG-TERM LIABILITIES - (cont'd):

The annual requirements to amortize the following Sewage disposal system bonds and notes outstanding at June 30, 2004 are as follows:

	1991 General Obligation Bond		2000 Sewage Disposal System Bond		2004 Sewage Disposal System Refunding Bond	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	40,000	1,280	25,000	36,565	-	11,842
2006	-	-	30,000	35,315	60,000	13,020
2007	-	-	30,000	33,815	55,000	11,870
2008	-	-	30,000	32,315	65,000	10,508
2009	-	-	35,000	30,815	65,000	8,785
2010-2014	-	-	205,000	125,783	225,000	12,188
2015-2019	-	-	270,000	64,173	-	-
2020-2024	-	-	65,000	3,608	-	-
	<u>40,000</u>	<u>1,280</u>	<u>690,000</u>	<u>362,389</u>	<u>470,000</u>	<u>68,213</u>

Police Building Notes Payable:

The Village obtained a loan in the amount of \$74,000 for the purpose of purchasing a new police station. The loan was to be repaid in monthly installments of \$761 including interest of 4.30% through July 9, 2003.

(This note was refinanced in October 2004.)

\$ 69,105

The Village has obtained a draw down loan in the amount of \$101,000 for the purpose of remodeling the police station.

The note matures on October 10, 2004 with interest of 4.30%.

At June 30, 2004 the Village had drawn down \$50,000 of the loan.

(This note was refinanced in October 2004.)

\$ 119,105

NOTE 8 - EMPLOYEE PENSION PLAN:

Plan Description -

The Village of Capac participates in the Municipal Employees Retirement System (MERS), a multiple employer state-wide, public employee defined benefit pension plan created under Public Act 135 of 1945, and now operates under Public Act 220 of 1996, and the MERS Plan Document as revised. MERS was established to provide retirement, survivor and disability benefits on a voluntary basis to the State of Michigan's local government employees. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefits provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917 or by calling (800) 767-6377.

VILLAGE OF CAPAC, MICHIGAN
St. Clair County, Michigan

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 8 - EMPLOYEE PENSION PLAN - (cont'd):

Funding Policy -

The plan adopted by the Village Council requires no member contributions. The Village is required to contribute at an actuarially determined rate; the rate for the calendar year 2003 ranged from 13.26 to 39.91 percent based on employee groups and for calendar year 2004 from 14.03 to 51.02 percent. The contribution requirements of plan members and the Village are established and may be amended by the Village, depending on the MERS contribution program adopted by the Village.

Annual Pension Costs -

For fiscal 2004, the Village's annual pension cost of \$80,723 for MERS was equal to the Village's required and actual contributions. The required contribution was determined as part of the December 31, 2002 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0% (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation (c) additional projected salary increases ranging from 0.0% to 4.16% per year, depending on age, attributable to seniority/merit and (d) the assumption that benefits will increase 2.0 - 2.5% annually. The actuarial value of MERS assets was determined on the basis of the evaluation method that assumes the funds earn the expected rate of return (8%) and includes an adjustment to reflect market value. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years.

Three-Year Trend Information

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual Pension</u> <u>Costs (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contribution</u>	<u>Net Pension</u> <u>Obligation</u>
June 30, 2002	\$ 55,020	100 %	\$ -
June 30, 2003	70,740	100	-
June 30, 2004	80,723	100	-

Schedule of Funding Progress

<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u> <u>(a)</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability</u> <u>(AAL) Entry Age</u> <u>(b)</u>	<u>Unfunded</u> <u>(Overfunded)</u> <u>Accrued Liability</u> <u>(UAAL)</u> <u>(b-a)</u>	<u>Funded</u> <u>Ratio</u> <u>AAL</u> <u>(a/b)</u>	<u>Covered</u> <u>Payroll</u> <u>(c)</u>	<u>UAAL as a %</u> <u>of Covered Payroll</u> <u>((b-a)/c)</u>
2001	\$ 709,364	\$ 1,296,168	\$ 586,804	55 %	\$ 264,305	222 %
2002	732,011	1,473,795	741,784	50	291,799	255
2003	761,712	1,592,289	830,577	48	365,672	227

NOTE 9 - POST RETIREMENT BENEFITS:

In addition to the pension benefits described in Note 8, the Village of Capac provides health and life insurance benefits on certain retired supervisors. The benefits are paid as incurred. The amount paid on behalf of these four retirees for the year ended June 30, 2004 was \$56,120.

VILLAGE OF CAPAC, MICHIGAN
St. Clair County, Michigan

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 10 - RESERVED FUND BALANCE:

Fund Balance has been reserved in various governmental funds to indicate the portion of Fund Balance not available but reserved for a specific purpose. The following is a summary of Reserved Fund Balance for all Village funds at June 30, 2004:

<u>Fund Type/Fund</u>	<u>Description</u>	<u>Amount</u>
Primary Government - General Fund	Parks and Recreation	\$15,853

NOTE 11 - RISK MANAGEMENT:

General Liability and Property

The Village participates in the Michigan Municipal League Liability and Property Pool insurance plan. In general the Village carries \$2,000,000 of liability coverage and approximately \$2,400,000 of property insurance with a \$1,000 per claim deductible on property and \$0 on liability.

Workers' Compensation

The Village participates in the Michigan Municipal Worker's Compensation Self-Insurance Fund administered by the Michigan Municipal League. The fund provides coverage of workers' compensation claims subjected to a maximum of \$500,000 per occurrence.

NOTE 12 - SUBSEQUENT EVENT:

On October 10, 2004 the Village consolidated the two police building loans into one loan in the amount of \$167,363. Payments in the amount of \$1,712 are due monthly starting November 22, 2004, including interest of 4.3%. The loan is payable through October 10, 2014.

NOTE 13 - RESTATEMENTS:

As of and for the year ended June 30, 2004, the Village implemented the following Governmental Accounting Standards Board pronouncements:

Statements

- No. 33 - *Accounting and Financial Reporting for Nonexchange Transactions*
- No. 34 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*
- No. 36 - *Recipient Reporting for Certain Shared Nonexchange Revenues - An Amendment of GASB No. 33*
- No. 37 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*
- No. 38 - *Certain Financial Statement Note Disclosures*

VILLAGE OF CAPAC, MICHIGAN
St. Clair County, Michigan

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 13 - RESTATEMENTS - (cont'd):

Interpretation

- No. 6 *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*

The above pronouncements are all related to the new financial reporting requirements for all state and local governments.

The more significant of the changes required by the new standards include:

- Management's discussion and analysis;
- Basic financial statements that include:
- Government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting;
- Fund financial statements, consisting of a series of statements that focus on a government's major governmental funds and enterprise funds;
- Schedules to reconcile the fund financial statements to the government-wide financial statements;
- Required supplementary information, including certain budgetary schedules.

As a result of implementing these pronouncements for the fiscal year ended June 30, 2004, the following restatements were made to net assets at June 30, 2003:

Government-wide financial statements. Beginning net assets for governmental activities were determined as follows:

Fund balances of general and special revenue funds as of 6/30/03	\$ 988,251
Prior Period Adjustment	<u>51,018</u>
	1,039,269
Add: capital assets	948,833
Add: deferred revenues	51,239
Add: prepaid expenses	28,334
Less: accumulated depreciation on capital assets	(442,081)
Less: accrued compensated absences	<u>(7,732)</u>
Net Assets at 6/30/03	51,617,863

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF CAPAC, MICHIGAN

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL - GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property taxes	\$ 308,067	\$ 308,067	\$ 298,188	\$(9,879)
Licenses and permits	16,500	16,500	15,943	(557)
Intergovernmental -				
Federal	51,321	51,321	64,663	13,342
State	266,829	266,829	224,576	(42,253)
Local	6,763	6,763	6,763	-
Fines and forfeits	6,000	6,000	12,456	6,456
Interest and rents	3,000	3,000	1,641	(1,359)
Other	13,576	13,576	18,224	4,648
Total Revenues	<u>672,056</u>	<u>672,056</u>	<u>642,454</u>	<u>(29,602)</u>
Expenditures:				
Current -				
General Government	133,839	133,839	165,368	(31,529)
Public Safety	358,875	360,710	440,334	(79,624)
Public Works	31,096	31,096	40,500	(9,404)
Economic Development	-	-	21,290	(21,290)
Recreation and Culture	12,780	12,780	12,779	1
Other	106,466	110,669	60,185	50,484
Capital Outlay	16,000	57,494	181,992	(124,498)
Debt Service -				
Principal	4,895	4,895	4,895	-
Interest	3,475	3,475	3,475	-
Total Expenditures	<u>667,426</u>	<u>714,958</u>	<u>930,818</u>	<u>(215,860)</u>
Excess of revenues over (under) expenditures	<u>4,630</u>	<u>(42,902)</u>	<u>(288,364)</u>	<u>(245,462)</u>
Other Financing Sources (Uses):				
Note Proceeds	-	-	124,000	124,000
Transfers out	(14,000)	(14,000)	(14,000)	-
	<u>(14,000)</u>	<u>(14,000)</u>	<u>110,000</u>	<u>124,000</u>
Excess of revenues and other sources over (under) expenditures	<u>(9,370)</u>	<u>(56,902)</u>	<u>(178,364)</u>	<u>(121,462)</u>
Fund Balance at beginning of year	144,223	144,223	144,223	-
Prior period adjustment	-	-	51,018	51,018
Fund Balance at beginning of year as restated	<u>144,223</u>	<u>144,223</u>	<u>195,241</u>	<u>51,018</u>
Fund Balance at end of year	<u>\$ 134,853</u>	<u>\$ 87,321</u>	<u>\$ 16,877</u>	<u>\$(70,444)</u>

VILLAGE OF CAPAC, MICHIGAN

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2004

MAJOR STREET FUND

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental -				
State	\$ 79,819	\$ 79,819	\$ 87,853	\$ 8,034
Interest	700	700	499	(201)
Total Revenues	<u>80,519</u>	<u>80,519</u>	<u>88,352</u>	<u>7,833</u>
Expenditures:				
Public Works -				
Administrative	1,050	1,050	-	1,050
Routine Maintenance	34,100	34,100	18,763	15,337
Infrastructure Maintenance	20,000	20,000	4,875	
Sweeping	5,000	5,000	2,575	2,425
Shoulder Maintenance	2,100	2,100	1,801	299
Traffic Service	2,750	2,750	617	2,133
Winter Maintenance	13,570	13,570	5,653	7,917
Non-motorized	500	500	-	500
Miscellaneous	1,449	66,577	-	66,577
Projects	-	-	1,575	(1,575)
Total Expenditures	<u>80,519</u>	<u>145,647</u>	<u>35,859</u>	<u>109,788</u>
Excess of revenues over (under) expenditures	-	(65,128)	52,493	117,621
Fund Balance at beginning of year	<u>79,207</u>	<u>79,207</u>	<u>79,207</u>	-
Fund Balance at end of year	<u>\$ 79,207</u>	<u>\$ 14,079</u>	<u>\$ 131,700</u>	<u>\$ 117,621</u>

VILLAGE OF CAPAC, MICHIGAN

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2004

LOCAL STREET

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental -				
State	\$ 29,092	\$ 29,092	\$ 31,796	\$ 2,704
Interest	100	100	42	(58)
Total Revenues	<u>29,192</u>	<u>29,192</u>	<u>31,838</u>	<u>2,646</u>
Expenditures:				
Public Works -				
Administrative	450	450	-	450
Routine Maintenance	21,500	21,500	15,850	5,650
Infrastructure Maintenance	-	-	1,625	(1,625)
Shoulder Maintenance	-	-	364	(364)
Traffic Services	900	900	251	649
Winter Maintenance	5,770	5,770	5,860	(90)
Non-motorized	205	205	-	205
Miscellaneous	367	4,596	-	4,596
Projects	-	-	6,618	(6,618)
Total Expenditures	<u>29,192</u>	<u>33,421</u>	<u>30,568</u>	<u>2,853</u>
Excess of revenues over (under) expenditures	-	(4,229)	1,270	5,499
Other Financing Sources:				
Transfers in	<u>-</u>	<u>-</u>	<u>5,847</u>	<u>5,847</u>
Net change in fund balance	-	(4,229)	7,117	11,346
Fund Balance at beginning of year	<u>4,304</u>	<u>4,304</u>	<u>4,304</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 4,304</u>	<u>\$ 75</u>	<u>\$ 11,421</u>	<u>\$ 11,346</u>

VILLAGE OF CAPAC, MICHIGAN

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2004

STREET IMPROVEMENT

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Taxes	\$ 53,777	\$ 53,777	\$ 52,758	\$ (1,019)
Interest	500	500	103	(397)
	<u>54,277</u>	<u>54,277</u>	<u>52,861</u>	<u>(1,416)</u>
Expenditures:				
Public Works -				
Other	<u>54,277</u>	<u>54,277</u>	<u>414</u>	<u>53,863</u>
Excess of revenues over expenditures	-	-	52,447	52,447
Other Financing Uses:				
Transfers out	<u>-</u>	<u>-</u>	<u>(5,847)</u>	<u>(5,847)</u>
Net change in Fund Balance	-	-	46,600	46,600
Fund Balance at beginning of year	<u>332</u>	<u>332</u>	<u>332</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 332</u>	<u>\$ 332</u>	<u>\$ 46,932</u>	<u>\$ 46,600</u>

VILLAGE OF CAPAC, MICHIGAN

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2004

STREET & HIGHWAY

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 123,201	\$ 123,201	\$ 119,456	\$ (3,745)
Interest	1,000	1,000	412	(588)
Other	500	500	312	(188)
Total Revenues	<u>124,701</u>	<u>124,701</u>	<u>120,180</u>	<u>(4,521)</u>
Expenditures:				
Public Works -				
Administrative	7,500	7,500	8,099	(599)
Clerk	-	-	1,435	(1,435)
Treasurer	-	-	2,284	(2,284)
Routine maintenance	107,201	107,201	112,219	(5,018)
Total Expenditures	<u>114,701</u>	<u>114,701</u>	<u>124,037</u>	<u>(9,336)</u>
Excess of revenues over (under) expenditures	10,000	10,000	(3,857)	(13,857)
Other Financing Uses:				
Transfers out	(10,000)	(10,000)	(10,000)	-
Net change in fund balance	-	-	(13,857)	(13,857)
Fund Balance at beginning of year	<u>677</u>	<u>677</u>	<u>677</u>	<u>-</u>
Fund Balance (Deficit) at end of year	<u>\$ 677</u>	<u>\$ 677</u>	<u>\$ (13,180)</u>	<u>\$ (13,857)</u>

SUPPLEMENTARY INFORMATION

VILLAGE OF CAPAC, MICHIGAN
GENERAL FUND
DETAILED SCHEDULE OF REVENUES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004

	Original/Final Budget	Actual	Variance with Final Budget Positive (Negative)
Property Taxes:			
Property taxes	\$ 308,067	\$ 298,188	\$(9,879)
 Licenses and Permits:			
Cable franchise	4,500	3,943	(557)
Sprint tower reimbursement	12,000	12,000	-
	<u>16,500</u>	<u>15,943</u>	<u>(557)</u>
 Intergovernmental - Revenue:			
Federal -			
C.O.P.S. Grant	-	9,949	9,949
Liaison Grant	51,321	54,714	3,393
State -			
State liquor tax	1,245	1,931	686
State shared revenue	259,684	221,993	(37,691)
Police grants	-	652	652
Metro act	5,900	-	(5,900)
Local -			
Parks and recreation	6,763	6,763	(6,111)
	<u>324,913</u>	<u>296,002</u>	<u>(28,911)</u>
 Fines and Forfeits:			
Violations	6,000	12,456	6,456
 Interest and Rents:			
Interest earned	3,000	1,641	(1,359)
 Other Revenue:			
Donations	500	1,506	1,006
Sale of assets	-	-	-
Reimbursements	7,076	12,874	5,798
Miscellaneous	6,000	3,844	(2,156)
	<u>13,576</u>	<u>18,224</u>	<u>4,648</u>
 Other Financing Sources:			
Note Proceeds	-	124,000	124,000
 Total Revenues	<u>\$ 672,056</u>	<u>\$ 766,454</u>	<u>\$ 94,398</u>

VILLAGE OF CAPAC, MICHIGAN
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
General Government -				
Village Council -				
Salaries	\$ 4,300	\$ 4,300	\$ 11,740	\$(7,440)
Fringe benefits	14,445	14,445	5,548	8,897
Membership dues	1,857	1,857	1,857	-
Miscellaneous	2,100	2,100	2,386	(286)
Total Village Council	<u>22,702</u>	<u>22,702</u>	<u>21,531</u>	<u>1,171</u>
Administration -				
Salaries	18,350	18,350	19,621	(1,271)
Fringe benefits	13,100	13,100	16,134	(3,034)
Miscellaneous	425	425	496	(71)
Total Administration	<u>31,875</u>	<u>31,875</u>	<u>36,251</u>	<u>(4,376)</u>
Village Manager -				
Contracted services	-	-	13,719	(13,719)
Total Village Manager	<u>-</u>	<u>-</u>	<u>13,719</u>	<u>(13,719)</u>
Elections -				
Salaries and wages	358	358	358	-
Fringe benefits	50	50	27	23
Other	1,042	1,042	512	530
Total Elections	<u>1,450</u>	<u>1,450</u>	<u>897</u>	<u>553</u>
Clerk -				
Salaries and wages	10,667	10,667	12,000	(1,333)
Fringe benefits	900	900	931	(31)
Office supplies	3,500	3,500	3,860	(360)
Printing and publishing	1,500	1,500	2,835	(1,335)
Telephone	3,000	3,000	5,028	(2,028)
Travel	100	100	131	(31)
Total Clerk	<u>19,667</u>	<u>19,667</u>	<u>24,785</u>	<u>(5,118)</u>
Treasurer -				
Salaries	8,907	8,907	8,487	420
Fringe benefits	600	600	599	1
Office supplies	1,000	1,000	814	186
Total Treasurer	<u>10,507</u>	<u>10,507</u>	<u>9,900</u>	<u>607</u>
Village Hall -				
Utilities	6,300	6,300	9,676	(3,376)
Repairs and maintenance	4,000	4,000	7,096	(3,096)
Professional services	16,000	16,000	34,305	(18,305)
Hydrant rental	16,338	16,338	-	16,338
Miscellaneous	5,000	5,000	7,208	(2,208)
Total Village Hall	<u>47,638</u>	<u>47,638</u>	<u>58,285</u>	<u>(10,647)</u>
Total General Government	<u>133,839</u>	<u>133,839</u>	<u>165,368</u>	<u>(31,529)</u>

VILLAGE OF CAPAC, MICHIGAN

GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004
(CONTINUED)

	Original Budget	Original/ Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Public Safety:				
Police Department				
Salaries	\$ 207,500	\$ 207,500	\$ 242,007	\$(34,507)
Fringe benefits	90,000	90,000	125,602	(35,602)
Crossing guard	3,100	3,100	2,831	269
Office supplies	3,500	3,500	5,992	(2,492)
Operating supplies	3,000	3,000	7,668	(4,668)
Gasoline and oil	3,800	3,800	6,470	(2,670)
Uniforms	4,400	4,400	2,057	2,343
Legal expense	10,000	10,000	13,981	(3,981)
Insurance	2,400	2,400	3,635	(1,235)
Telephone	4,000	4,000	5,001	(1,001)
Utilities	1,000	1,000	1,090	(90)
Repairs and maintenance				
Vehicle	2,500	2,500	6,396	(3,896)
Equipment	1,000	1,000	276	724
Education and training	4,850	4,850	5,386	(536)
Travel	2,000	2,000	1,197	803
Miscellaneous	1,825	3,660	2,380	1,280
Debt Service -				
Principal	4,895	4,895	4,895	-
Interest	3,475	3,475	3,475	-
Total Police Department	<u>353,245</u>	<u>355,080</u>	<u>440,339</u>	<u>(85,259)</u>
Planning Commission -				
Salaries & wages	6,200	6,200	4,664	1,536
Fringe benefits	500	500	305	195
Miscellaneous	7,300	7,300	3,396	3,904
Total Planning Commission	<u>14,000</u>	<u>14,000</u>	<u>8,365</u>	<u>5,635</u>
Total Public Safety	<u>367,245</u>	<u>369,080</u>	<u>448,704</u>	<u>(79,624)</u>

VILLAGE OF CAPAC, MICHIGAN
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004
(CONTINUED)

	<u>Original Budget</u>	<u>Original/ Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget Positive (Negative)</u>
Public Works:				
Department of Public Works -				
Salaries	6,000	6,000	14,875	(8,875)
Fringe benefits	1,500	1,500	949	551
Supplies	1,000	1,000	1,731	(731)
Repairs and Maintenance	-	-	445	(445)
	<u>8,500</u>	<u>8,500</u>	<u>18,000</u>	<u>(9,500)</u>
Street Lighting -				
Utilities	<u>22,596</u>	<u>22,596</u>	<u>22,500</u>	<u>96</u>
Total Public Works	<u>31,096</u>	<u>31,096</u>	<u>40,500</u>	<u>(9,404)</u>
Economic Development				
Planning	<u>-</u>	<u>-</u>	<u>21,290</u>	<u>(21,290)</u>
Recreation and Cultural:				
Parks and Recreation -				
Salaries	1,500	1,500	1,203	297
Fringe benefits	750	750	91	659
Supplies	500	500	1,269	(769)
Utilities	1,000	1,000	661	339
Miscellaneous	500	500	575	(75)
Total Civil Defense	<u>4,250</u>	<u>4,250</u>	<u>3,799</u>	<u>451</u>
Library -				
Supplies	150	150	125	25
Utilities	5,040	5,040	5,735	(695)
Repairs and maintenance	1,000	1,000	810	190
Contractual services	<u>2,340</u>	<u>2,340</u>	<u>2,310</u>	<u>30</u>
	<u>8,530</u>	<u>8,530</u>	<u>8,980</u>	<u>(450)</u>
Total Recreation and Cultural	<u>12,780</u>	<u>12,780</u>	<u>12,779</u>	<u>1</u>
Other:				
Insurance and bonds	32,500	32,500	34,102	(1,602)
Workers compensation insurance	241	241	1,596	(1,355)
Contingencies	<u>73,725</u>	<u>77,928</u>	<u>24,487</u>	<u>53,441</u>
Total Other	<u>106,466</u>	<u>110,669</u>	<u>60,185</u>	<u>50,484</u>

VILLAGE OF CAPAC, MICHIGAN

GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004
(CONTINUED)

	<u>Original Budget</u>	<u>Original/ Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget Positive (Negative)</u>
Capital Outlay -				
General government	-	1,762	7,485	(5,723)
Police department	4,000	4,000	123,509	(119,509)
Public works	12,000	12,000	11,266	734
Other	-	39,732	39,732	-
Total Capital Outlay	<u>16,000</u>	<u>57,494</u>	<u>181,992</u>	<u>(124,498)</u>
 Total Expenditures	 \$ 667,426	 \$ 714,958	 \$ 930,818	 \$(215,860)
 Transfers to Other Funds				
Equipment Reserve	<u>14,000</u>	<u>14,000</u>	<u>14,000</u>	<u>-</u>
 Total Expenditures and Transfers To Other Funds	 <u>\$ 681,426</u>	 <u>\$ 728,958</u>	 <u>\$ 944,818</u>	 <u>\$(215,860)</u>

VILLAGE OF CAPAC, MICHIGAN

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUND - TRUST AND AGENCY FUND
 FOR THE YEAR ENDED JUNE 30, 2004

	Balance July 1, 2003	Additions	Reductions	Balance June 30, 2004
Assets:				
Cash and cash equivalents	\$ 2,187	\$ 2,445	\$ 3,244	\$ 1,388
Due from county	1,045	397	408	1,034
Total Revenues	<u>3,232</u>	<u>2,842</u>	<u>3,652</u>	<u>2,422</u>
Liabilities:				
Due to other governmental units - State	2,380	1,630	1,588	2,422
Due to other funds	852	407	1,259	-
Total Liabilities	<u>3,232</u>	<u>2,037</u>	<u>2,847</u>	<u>2,422</u>

COMPONENT UNIT

VILLAGE OF CAPAC, MICHIGAN

BALANCE SHEET/STATEMENT OF NET ASSETS
DOWNTOWN DEVELOPMENT AUTHORITY
JUNE 30, 2004

	Governmental Activities	GASB 34 Adjustments	Statement of Net Assets
ASSETS			
Cash and cash equivalents	\$ 254,425	\$ -	\$ 254,425
Due from primary government	1,180	-	1,180
Capital Assets (net of accumulated depreciation)			
Assets being depreciated	-	9,783	9,783
Total Assets	<u>\$ 255,605</u>	<u>\$ 9,783</u>	<u>\$ 265,388</u>
FUND BALANCE/NET ASSETS			
Fund Balance/Net Assets:			
Investment in capital assets, net of related debt	-	9,783	9,783
Unreserved	<u>255,605</u>	<u>-</u>	<u>255,605</u>
	<u>255,605</u>	<u>9,783</u>	<u>265,388</u>
Total Liabilities and Fund Balance	<u>\$ 255,605</u>	<u>\$ 9,783</u>	<u>\$ 265,388</u>

VILLAGE OF CAPAC, MICHIGAN

RECONCILLATION OF FUND BALANCES ON THE BALANCE SHEET FOR
GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
ON THE STATEMENT OF NET ASSETS - DOWNTOWN DEVELOPMENT AUTHORITY
JUNE 30, 2004

Fund Balances - total governmental funds	\$	255,605
Amounts reported for Component unit activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Capital assets		<u>9,783</u>
Net Assets of Downtown Development Authority activities	\$	<u>265,388</u>

VILLAGE OF CAPAC, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE/
STATEMENT OF ACTIVITIES
DOWNTOWN DEVELOPMENT AUTHORITY
FOR THE YEARS ENDED JUNE 30, 2004

	<u>Actual</u>	<u>GASB 34 Adjustments</u>	<u>Total</u>
Revenues:			
Taxes	\$ 43,120	\$ -	\$ 43,120
Interest	1,421	-	1,421
	<u>44,541</u>	<u>-</u>	<u>44,541</u>
Expenditures:			
Current -			
Public Works	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Excess of revenues over (under) expenditures	39,541	-	39,541
Fund Balance/Net Assets at beginning of year	<u>216,064</u>	<u>-</u>	<u>216,064</u>
Fund Balance at end of year	<u>\$ 255,605</u>	<u>\$ -</u>	<u>\$ 255,605</u>